



**BEFORE THE PUBLIC UTILITIES COMMISSION OF THE
STATE OF CALIFORNIA**

FILED

10-23-06
04:59 PM

In the Matter of the Application of California-American Water Company (U 210 W) for an order authorizing it to increase its rates for water service in its Monterey District to increase revenues by \$9,456,100 or 32.88% in the year 2006; \$1,894,100 or 4.95% in the year 2007; and \$1,574,600 or 3.92% in the year 2008; and for an order authorizing sixteen Special Requests with revenue requirements of \$3,815,900 in the year 2006, \$5,622,300 in the year 2007, and \$8,720,500 in the year 2008; the total increase in rates for water service combined with the sixteen Special Requests could increase revenues by \$13,272,000 or 46.16% in the year 2006; 7,516,400 or 17.86% in the year 2007; and \$10,295,100 or 20.73% in the year 2008

Application 05-02-012
(Filed February 16, 2005)

In the Matter of the Application of California-American Water Company (U 210 W) for Authorization to Increase its Rates for Water Service in its Felton District to increase revenues by \$796,400 or 105.2% in the year 2006; \$53,600 or 3.44% in the year 2007; and \$16,600 or 1.03% in the year 2008; and for an order authorizing two Special Requests

Application 05-02-013
(Filed February 16, 2005)

**JOINT NOTICE OF EX PARTE COMMUNICATION
BY FELTON FRIENDS OF LOCALLY OWNED WATER, COUNTY OF SANTA CRUZ
AND SAN LORENZO VALLEY WATER DISTRICT**

Pursuant to Rule 8.3 of the California Public Utilities Commission's ("Commission's") Rules of Practice and Procedure, Felton Friends of Locally Owned Water ("Felton FLOW"), the County of Santa Cruz ("Santa Cruz"), and the San Lorenzo Valley Water District ("SLVWD") file this joint notice of the following ex parte communications with Tim Sullivan, Advisor to Commissioner Chong; Rami Kaholn, Advisor to President Peevey; and Bob Lane and Stephen St. Marie, Advisors to Commissioner Bohn.

On October 18, 2006, Mark Stone, Santa Cruz County Supervisor, Jim Mueller, General Manager of San Lorenzo, Jim Mosher, Chair Felton FLOW Legal Committee, and Edward

O'Neill, counsel to Felton FLOW, met with Tim Sullivan (from approximately 10:20 am. to 10:40 a.m.), Rami Kahlon (from approximately 12:30 a.m. to 12:55p.m.), and Bob Lane and Stephen St. Marie (from approximately 1:35 p.m. to 2:25 p.m.), in three separate meetings at the Commission's offices in San Francisco.

The meetings were requested by Felton FLOW, Santa Cruz and SLVWD and concerned the Proposed Decision recently issued in Cal-Am's pending general rate case, A.05-02-012 et al, and the recent Assigned Commissioner's Scoping Memo And Ruling issued in A.06-05-025, the application of RWE, American Water Works Company and Cal-Am for authority to transfer control of RWE's California water utility facilities through an IPO of stock in American Water Works Company.

Supervisor Stone, Mr. Mueller, Mr. Mosher and Mr. O'Neill all stated that the Felton parties would participate in alternative dispute resolution before the Commission, which both the Proposed Decision in A.05-02-012 and the recent Scoping Memo in A.06-05-025 have encouraged, if there were any prospect of resolving the differences between the Felton parties and California American Water Company through such means. Mr. Mosher and Supervisor Stone stated however, that Cal-Am has publicly stated that it will not participate in such alternative dispute resolution. As a result, there appears little likelihood that differences between the parties concerning public acquisition of the Felton District can be resolved through this means.

Mr. O'Neill further stated that Felton FLOW, Santa Cruz and SLVWD have urged the Commission to consider public acquisition of the Felton District in A.06-05-025 because the Commission has a statutory duty under Public Utilities Code section 854(d) to consider

reasonable alternatives to the proposed transfer of control of RWE's California water utility districts through the proposed IPO of stock in American Water Works Company. Mr. O'Neill stated that the Commission should consider public acquisition of the Felton District as an alternative to the proposed IPO because public acquisition could mitigate the adverse effect the proposed IPO will have on Cal-Am's cost of capital and since the time and expense of pursuing public acquisition of the Felton District through condemnation proceedings without any action by the Commission to facilitate such a public acquisition would impose a significant hardship on Felton residents. It would do so because, given the small number of customers served by Cal-Am in Felton, the cost per customer of such proceedings would be disproportionately high relative to other condemnation proceedings involving larger utility districts. Mr. O'Neill further stated that it would be contrary to the public interest for the Commission to permit the potentially significant economic benefits of public acquisition of the Felton District to be unduly reduced or eliminated through Cal-Am's exploitation of opportunities to prolong and delay any final decision on the matter through condemnation.

Rather than simply encouraging the parties to use the Commission's alternative dispute resolution process, as the Proposed Decision in A.05-02-012 et al would, Supervisor Stone, Mr. Mueller and Mr. Mosher urged the Commission to consider modifying the Scoping Memo and Ruling in A.06-05-025 to permit consideration of the public acquisition in that proceeding as an alternative to the proposed IPO for the Felton District.

No written materials were used at the meeting. To request a copy of this notice, please contact Judy Pau at (415) 276-6587.

Respectfully submitted,

/s/ Edward O'Neill

Edward W. O'Neill
DAVIS WRIGHT TREMAINE LLP
505 Montgomery Street, Suite 800
San Francisco, California 94111
Tel. (415) 276-6500
Fax. (415) 276-6599
Email: edwardoneill@dwt.com

Attorneys for Felton Flow

Dated: October 23, 2006

CERTIFICATE OF SERVICE

I, Judy Pau, certify:

I am employed in the City and County of San Francisco, California, am over eighteen years of age and am not a party to the within entitled cause. My business address is 505 Montgomery Street, Suite 800, San Francisco, California 94111.

On October 23, 2006, I caused the following to be served:

**JOINT NOTICE OF EX PARTE COMMUNICATION
BY FELTON FRIENDS OF LOCALLY OWNED WATER, COUNTY OF SANTA CRUZ
AND SAN LORENZO VALLEY WATER DISTRICT**

via electronic mail to all parties on the service list A.05-02-012 who have provided the Commission with an electronic mail address and by First class mail on the parties listed as "Appearance" and "State Service" on the CPUC service list who have not provided an electronic mail address.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct, and that this declaration was executed on the date above at San Francisco, California.

/s/ Judy Pau
Judy Pau

**CALIFORNIA PUBLIC UTILITIES COMMISSION
SERVICE LISTS**

Proceeding: A0502012 - CAL-AMERICAN WTR. CO

Filer: CALIFORNIA-AMERICAN WATER COMPANY (U 201-W)

List Name: LIST

Last changed: October 11, 2006

APPEARANCE

DAVID A. MCCORMICK
ATTORNEY AT LAW
U.S. ARMY LEGAL SERVICES AGENCY
901 N. STUART STREET, ROOM 713
ARLINGTON, VA 22203-1837

FRANCES M. FARINA
ATTORNEY AT LAW
DE LAY & LAREDO
389 PRINCETON AVENUE
SANTA BARBARA, CA 93111

IRVEN L. GRANT
DEPUTY COUNTY COUNSEL
COUNTY OF MONTEREY
168 W. ALISAL ST., 3RD FLOOR
SALINAS, CA 93901

LLOYD W. LOWREY, JR.
ATTORNEY AT LAW
NOLAND, HAMERLY, ETIENNE & HOSS
PO BOX 2510 (333 SALINAS STREET)
SALINAS, CA 93902

DAVID C. LAREDO
ATTORNEY AT LAW
DE LAY & LAREDO
606 FOREST AVENUE
PACIFIC GROVE, CA 93950

MONICA L. MCCRARY
CALIF PUBLIC UTILITIES COMMISSION
LEGAL DIVISION
ROOM 5134
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

LENARD G. WEISS
ATTORNEY AT LAW
STEEFEL, LEVITT & WEISS, P.C.
ONE EMBARCADERO CENTER, 30TH FLOOR
SAN FRANCISCO, CA 94111

EDWARD W. O'NEILL
ATTORNEY AT LAW
DAVIS WRIGHT TREMAINE, LLP
505 MONTGOMERY STREET, SUITE 800
SAN FRANCISCO, CA 94111-6533

TOD LANDIS
FELTON FLOW
355 BRIMBLECOM RD
BOULDER CREEK, CA 95005

DAN L. CARROLL
DOWNEY BRAND LLP
555 CAPITOL MALL, 10TH FLOOR
SACRAMENTO, CA 95814

DAVID P. STEPHENSON
CALIFORNIA AMERICAN WATER
4701 BELOIT DRIVE
SACRAMENTO, CA 95838

INFORMATION ONLY

CRAIG A. MARKS
CORPORATE COUNSEL
AMERICAN WATER COMPANY
19820 N. 7TH STREET, STE. 201
PHOENIX, AZ 85024

ROBERT BLOOR
VP OF FINANCE
CALIFORNIA AMERICAN WATER COMPANY
303 H STREET
CHULA VISTA, CA 91910

MICHAEL DEPAUL
NOLAND, HAMERLY, ETIENNE & HOSS
333 SALINAS STREET
SALINAS, CA 93902-2510

VIRGINIA HENNESSEY
MONTEREY COUNTY HERALD
PO BOX 271
MONTEREY, CA 93942

ROBIN TOKMAKIAN
LEAGUE OF WOMEN VOTERS
252 CHESTNUT
ASSN
PACIFIC GROVE, CA 93950

DARRYL D. KENYON
PRESIDENT
MONTEREY COMMERCIAL PROPERTY OWNERS

PO BOX 398
PEBBLE BEACH, CA 93953

MARC J. DEL PIERO
ATTORNEY AT LAW
MARC DEL PIERO
4062 EL BOSQUE DRIVE
PEBBLE BEACH, CA 93953-3011

TANYA A. GULESSERIAN
ADAMS BROADWELL JOSEPH & GARDOZO
601 GATEWAY BLVD. STE 1000
SOUTH SAN FRANCISCO, CA 94080

NORMAN J. FURUTA
FEDERAL EXECUTIVE AGENCIES
10TH FLOOR, MS 1021A
333 MARKET STREET
SAN FRANCISCO, CA 94105-2195

CHRISTINE J.. HAMMOND
ATTORNEY AT LAW
STEEFEL, LEVITT AND WEISS
ONE EMBARCADERO CENTER, 30TH FLOOR
SAN FRANCISCO, CA 94111

LORI ANNE DOLQUEIST
ATTORNEY AT LAW
STEEFEL, LEVITT & WEISS
ONE EMBARCADERO CENTER, 30TH FLOOR
SAN FRANCISCO, CA 94111

REED V. SCHMIDT
BARTLE WELLS ASSOCIATES
1889 ALCATRAZ AVENUE
BERKELEY, CA 94703-2714

JONDI GUMZ
SANTA CRUZ SENTINEL
207 CHURCH STREET
SANTA CRUZ, CA 95060

MIRIAM L. STOMBLER
ATTORNEY AT LAW
COUNTY OF SANTA CRUZ
701 OCEAN STREET, ROOM 505
SANTA CRUZ, CA 95060

JOE ROSA
GENERAL MANAGER
PAJARO-SUNNY MESA COMM. SERV. DISTRICT
136 SAN JUAN ROAD
WATSONVILLE, CA 95076

STATE SERVICE

CHRISTINE M. WALWYN
CALIF PUBLIC UTILITIES COMMISSION
DIVISION OF ADMINISTRATIVE LAW JUDGES
ROOM 5008
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

DIANA BROOKS
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
ROOM 4102
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

FRED L. CURRY
CALIF PUBLIC UTILITIES COMMISSION
WATER ADVISORY BRANCH
ROOM 3106
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

LAURA L. KRANNAWITTER
CALIF PUBLIC UTILITIES COMMISSION
EXECUTIVE DIVISION
ROOM 5303
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214

SUNG HAN
CALIF PUBLIC UTILITIES COMMISSION
WATER BRANCH
ROOM 3200
505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3214